

[San Diego's Pension Crisis](#)

Pension board files suit to rescind 1996, 2002 agreements

SIGNONSANDIEGO NEWS SERVICES

6:03 p.m. March 28, 2006

SAN DIEGO – The board that oversees San Diego's pension system filed a lawsuit seeking to rescind agreements in 1996 and 2002 that contributed to the city's massive retirement fund deficit, it was announced Tuesday.

The cross-complaint in a larger pension-related case before Superior Court Judge Jeffrey Barton was filed on Friday by an attorney on behalf of trustees of the San Diego City Employees' Retirement System.

The 1996 and 2002 agreements, known as MP1 and MP2, granted enhanced retirement benefits in exchange for reduced contributions by the city into the pension system, which is now saddled with a \$1.4 billion shortfall.

SDCERS' complaint alleges that by entering into the agreements, certain former and current City Council members created a conflict of interest because they would benefit from the enhanced benefits.

SDCERS wants Barton to order the city to contribute into the pension system what it would have if the agreements were not approved.

City Attorney Michael Aguirre has filed his own complaint in the case, challenging the legality of the benefits forged in 1996 and 2002.

The city attorney has estimated that setting aside those retirement benefits would reduce the pension deficit by as much as \$700 million.

Aguirre called SDCERS' action a "bold step."

If the council or the judge agrees to revoke the agreements, it would quickly help to resolve the pension underfunding, he said.

"The judge or the council, in one bold step, can dramatically reduce the liabilities to the pension plan," Aguirre said.

Coupled with the new funding proposed by Mayor Jerry Sanders, "we could literally wipe out this problem, as a practical problem, by the end of the year," the city attorney told reporters.

In a statement, SDCERS officials said the filing was not intended to address the legality of retirement benefits, but rather recover the missed city contributions to the pension fund.

"This is not an aggressive filing but rather a step necessitated by the rules of civil procedure in order to protect the interests of the trust fund," SDCERS board President Peter Preovolos said.

"Had SDCERS not filed this compulsory cross-complaint, our right to recover on these grounds in the future would be lost," he said.

Aguirre has asked Barton to issue a summary judgment on June 23 to avoid having the case go to trial in October.

In a separate case brought by District Attorney Bonnie Dumanis, six former pension trustees have pleaded not guilty to state conflict-of-interest charges for their role in the 2002 agreement.

State government code 1090 dictates that "city officers or employers shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members."

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New SD Mayor Gets Pension Proposal on November Ballot

March 28, 2006 (PLANSponsor.com) – The San Diego City Council has agreed to place two of Mayor Jerry Sanders' campaign proposals on the November 7 ballot.

The San Diego Union-Tribune reports that the council voted 7-1 to put the proposals to outsource more city jobs and to make future pension increases subject to voter approval on the ballot. The council also agreed to put off most of the details of the two measures until September.

Labor leaders had demanded more particulars and more time for negotiations, according to the Union-Tribune. The council asked the mayor to continue meeting with unions to work out the mechanics of how the proposals would function if voters approve them, and also asked for an "implementing ordinance" in 180 days.

Council member Donna Frye said she did not necessarily support the proposal, but wanted voters to weigh in on the issues. Frye was defeated by Sanders in a mayoral race last year in which the troubled pension system was a key issue (See [Sanders Defeats Frye in San Diego's Mayoral Race](#)).

The council meeting followed 35 negotiation sessions over a month and a half that Sanders held with the city's five labor unions to reach consensus on the text of the measures. After the negotiations, Sanders changed his pension proposal to include a sunset provision of 15 years, and changed the other proposal to say that members of a review board set up to evaluate whether a plan to outsource jobs should be accepted over a city department's proposal would be barred from having conflicts of interest.

In spite of the concessions, union presidents were still not happy with the proposals. After the meeting, Sanders said his measures may have a better chance of success because the council placed them on the ballot. "This has the backing of the council, which says . . . to the public, this is important."

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